

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY

Romeo, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

PREPARED IN ACCORDANCE WITH GASB 34

June 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|---|------------------------|---|------------------|
| Local Unit of Government Type MUNICIPAL LIBRARY | | Local Unit Name ROMEO DISTRICT LIBRARY | County MACOMB |
| <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | | |
| Fiscal Year End 6/30/07 | Opinion Date 9/7/07 | Date Audit Report Submitted to State 9/25/07 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

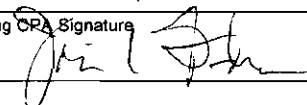
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | | |
|--|--|-------------------------------------|--|------------------------------|--------------|
| We have enclosed the following: | | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | | <input checked="" type="checkbox"/> | | | |
| The letter of Comments and Recommendations | | <input checked="" type="checkbox"/> | | | |
| Other (Describe) | | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) BUSS & COMPANY, P.C. | | | Telephone Number (586) 263-8200 | | |
| Street Address 42550 GARFIELD, SUITE 105 | | | City CLINTON TWP. | State MI | Zip 48038 |
| Authorizing CPA Signature  | | Printed Name JOHN E. GIDEON | | License Number 1101007016 | |

BUSS & COMPANY, P.C.

Certified Public Accountants
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Randy A. Carlier, C.P.A.

MEMBERS
The American Institute of
Certified Public Accountants

The Michigan Association of
Certified Public Accountants

September 7, 2007

Board of Trustees
Romeo District Library
Romeo, Michigan

Re: Supplemental System and Internal Control
Comments and Recommendations in conjunction
with audit for the year ended June 30, 2007

Honorable Members:

In planning and performing our audit of the financial statements of Romeo District Library for the year ended June 30, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect Romeo District Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Assistance With the Preparation of Financial Statements

Governmental units often utilized the auditor to assist in preparing the financial statements. This is the case of the Library. Governmental units have followed this practice for expediency and the utilization of expertise in financial accounting and reporting. Recent changes in generally accepted auditing standards requires us to evaluate whether this is a potential control deficiency and report same if it is a significant deficiency or material weakness.

The foregoing practice may be a significant deficiency that could be remedied with certain initiatives. The initiatives might include ongoing communications between the Library and the auditor regarding accounting and reporting matters. This communication would be during the interim as well as year end. This is not far from current practice. In addition, a draft of the year end financial statements would be provided to the Library together with a checklist of significant reporting matters. The draft and checklist would be reviewed and signed off by the Library with auditor response to any questions.

Budgeting

The Library has established an effective budgeting process which is used to control expenditures. We have reviewed the budgets for compliance with the Uniform Budgeting and Accounting Act P.A. 621 of 1978. The act requires that expenditures in a specific appropriations account beyond the amount of the original budget (general appropriations act), be approved by the Board with a transfer or supplemental appropriation. During the year ended June 30, 2007, the Library incurred expenditures in a budgeted category which were in excess of the amounts appropriated by the Board. The specific budget variance is detailed in Note II of the annual financial report.

Fund Balance

During the year ended June 30, 2007, the Library's General Fund revenues and other financing sources exceeded expenditures by \$342,535. As a result, General Fund equity increased to \$1,973,352 at June 30, 2007.

The Board has made designations of \$720,000 with \$1,253,352 being unreserved and undesignated. By maintaining an appropriate fund equity, the Library is able to meet unforeseen circumstances without affecting the level of programs for the year. The Library's unreserved, undesignated fund equity is equal to approximately 67% of expenditures, or 35 weeks of operation.

Retiree Health Care Benefits

The Governmental Accounting Standards Board (GASB) has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will be effective for the Library's 2010 fiscal year. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid.

Board of Trustees
Romeo District Library
September 7, 2007
Page 3

Retiree Health Care Benefits (Continued)

As the implementation date is drawing near, an actuarial study will need to be completed to meet the requirements of GASB 45. The study should be performed no earlier than two years prior to the beginning of the year of implementation (no earlier than July 1, 2008 for the Library). An actuarial report will assist the Library in budgeting for future payments and to determine to what extent the annual required contributions determined by the actuary will be made.

This communication is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Romeo District Library. This restriction is not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter of public record.

We appreciate the cooperation of the Library staff and trustees during our audit.

Respectfully submitted,

BUSS & COMPANY, P.C.

Buss & Company, PC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Romeo District Library
Romeo, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Romeo District Library as of and for the year ended June 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Romeo District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Romeo District Library as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule on pages 3 through 4 and pages 20 through 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
C. NICHON TOWNSHIP, MICHIGAN

Board of Trustees
Romeo District Library
September 7, 2007
Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Romeo District Library's basic financial statements. The other supplemental information is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

BUSS & COMPANY, P.C.

Buss & Company, P.C.
Certified Public Accountants

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BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Using this Annual Report

This annual report consists of four parts - Management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplemental information. The basic financial statements include information that presents two different views of the Library:

- The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The governmental fund financial statements include information on the Library under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information and other supplemental information that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current and prior years.

| | 2007 | 2006 |
|--|--------------------|--------------------|
| Current assets | \$2,208,773 | \$1,872,599 |
| Capital assets | 4,939,604 | 5,037,646 |
| Total Assets | <u>\$7,148,377</u> | <u>\$6,910,245</u> |
| Long-term debt and compensated absences | | |
| Other Liabilities | \$ 487,769 | \$ 936,802 |
| Total Liabilities | <u>83,288</u> | <u>99,919</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt and accrued interest | \$4,484,989 | \$4,143,574 |
| Restricted for debt service | 156,748 | 23,618 |
| Unrestricted | 1,935,583 | 1,706,332 |
| Total Net Assets | <u>\$6,577,320</u> | <u>\$5,873,524</u> |
| Revenue: | | |
| Property taxes | \$2,465,343 | \$2,379,366 |
| Other | <u>226,728</u> | <u>201,887</u> |
| Total Revenue | <u>\$2,692,071</u> | <u>\$2,581,253</u> |
| Expenses - Library services | 1,988,275 | 1,922,613 |
| Change in Net Assets | <u>\$ 703,796</u> | <u>\$ 658,640</u> |

(Continued)

The Library as a Whole

- The Library's net assets increased by \$703,796 this year. This reflects that taxpayers, current users, and other supporters of the Library have paid the full cost of operating the Library, even after depreciation and recognition of long-term obligations.
- The Library's primary source of revenue is from property taxes, which represents 92% of total revenue.
- Total expenses were 70% of total revenue for the year ended June 30, 2007. Salaries amount to approximately 47% of total expenditures. Benefits amount to 15% of total expenditures.

The Library's Fund

The Library uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Library is being accountable for the resources provided and insight into the Library's financial health. The Library's major funds consist of the General Fund and the Debt Retirement Fund. The fund balance of the General Fund increased during the current year by \$342,536. The increase is due primarily to revenues increasing by \$160,578. The most significant increase in revenues was in property tax revenue which increased by \$85,977, and interest income which increased by \$34,233. The fund balance in the Debt Retirement Fund increased by \$77,404. Millage rates are determined to ensure the Library accumulates sufficient resources to pay annual bond related debt service. The fund balance of the Debt Retirement is reserved since they can only be used to pay debt service obligations.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. There were no significant amendments to the budget during the year and total budgeted expenditures remained unchanged.

Capital Assets

At the end of the fiscal year, the Library had \$6,685,821 invested in net capital assets, including building improvements, furniture and fixtures, equipment, and books and materials. The Library added \$170,757 of capital assets consisting of new books, various audio/visual materials, computer equipment, and office equipment and furnishings.

Debt

At the end of the year, the Library had \$450,000 in general obligation bonds outstanding versus \$885,000 at June 30, 2006. This represents a decrease of over 49%.

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the Townships and Village. We, however, need to continue to watch our budget very closely. Expenditures that will be especially important in the coming year include health insurance benefits which have shown significant increases in the last few years and employee compensation, because it is such a significant portion of the Library's operating expenses.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director at 65821 Van Dyke, Washington Township, Michigan 48095.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
STATEMENT OF NET ASSETS
June 30, 2007

Exhibit 1

ASSETS

| | |
|----------------------------------|--------------------|
| Cash and cash equivalents | \$ 678,638 |
| Investments | 1,519,405 |
| Taxes receivable | - |
| Due from other governmental unit | 10,730 |
| Capital assets | <u>4,939,604</u> |
| Total Assets | <u>\$7,148,377</u> |

LIABILITIES

| | |
|--|---------------|
| Accounts payable and accrued liabilities | \$ 83,288 |
| Bonds payable - Due within one year | 450,000 |
| Compensated absences | <u>37,769</u> |

Total Liabilities

NET ASSETS

| | |
|--|------------------|
| Invested in capital assets, net of related debt and accrued interest | \$4,484,989 |
| Restricted for debt service | 156,748 |
| Unrestricted | <u>1,935,583</u> |

Total Net Assets \$6,577,320

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP MICHIGAN

ROME DISTRICT LIBRARY
Romeo, Michigan
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Exhibit 2

| | | <u>NET (EXPENSE)</u> | <u>REVENUE AND CHANGES</u> |
|----------|-------------------------|-------------------------|----------------------------|
| | | <u>IN NET ASSETS -</u> | <u>GOVERNMENTAL</u> |
| | | <u>ACTIVITIES</u> | |
| EXPENSES | CHARGES FOR SERVICES | <u>PROGRAM REVENUES</u> | <u>OPERATING GRANTS</u> |
| | | <u>\$ 38,930</u> | <u>\$ 1,150</u> |
| | | | <u>(\$1,948,195)</u> |

FUNCTION/PROGRAM:

Governmental Activities:

Library services/operations

GENERAL REVENUES:

| | |
|--------------------------------|-------------|
| Property taxes | \$2,465,343 |
| State revenues and penal fines | 97,612 |
| Interest on investments | 73,674 |
| Gifts and memorials | 1,725 |
| Other miscellaneous | 13,637 |

Total General Revenues

\$2,651,991

CHANGE IN NET ASSETS

NET ASSETS:

| | |
|-------------------|--------------------|
| Beginning of year | <u>\$ 873,524</u> |
| End of year | <u>\$6,577,320</u> |

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
Certified Public Accountants
Clinton Township, Michigan

ROMEO DISTRICT LIBRARY
Romeo, Michigan
COMPARATIVE BALANCE SHEETS
June 30, 2007 and 2006

Exhibit 3

| | <u>GENERAL FUND</u> | <u>DEBT RETIREMENT FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS 2007</u> |
|--------------------------------------|-------------------------|---------------------------------|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ 521,908 | \$ 156,730 | \$ 678,638 |
| Investments | 1,519,405 | - | 1,519,405 |
| Due from other funds | - | 18 | 18 |
| Suburban Library Cooperative Account | 8 | - | 8 |
| Taxes receivable | - | - | - |
| Due from other governmental units | 10,722 | - | 10,722 |
| Total Assets | <u>\$2,052,043</u> | <u>\$156,748</u> | <u>\$2,208,791</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 28,789 | \$ - | \$ 28,789 |
| Due to Debt Retirement Fund | 18 | - | 18 |
| Deferred revenue | - | - | - |
| Accrued compensated absences | <u>49,884</u> | <u>-</u> | <u>49,884</u> |
| Total Liabilities | <u>\$ 78,691</u> | <u>\$ -</u> | <u>\$ 78,691</u> |
| FUND BALANCES | | | |
| Fund Balances: | | | |
| Unreserved: | | | |
| Designated for: | | | |
| Debt service | \$ 156,748 | \$ 156,748 | \$ 79,343 |
| Building projects | - | - | 500,000 |
| Property tax refunds | - | - | 220,000 |
| Undesignated | 1,253,352 | 1,253,352 | - |
| Total Fund Balances | <u>\$1,973,352</u> | <u>\$156,748</u> | <u>\$2,130,100</u> |
| Total Liabilities and Fund Balances | <u>\$2,052,043</u> | <u>\$156,748</u> | <u>\$2,208,791</u> |
| | | | <u>\$1,872,617</u> |

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
For The Year Ended June 30, 2007

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

The cost of capital assets is
Accumulated depreciation

\$2,130,100

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable
Compensated absences

(\$ 450,000)
(\$ 37,769)

Accrued interest payable on bonds is not included as a liability in the governmental funds

(4,615)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES

\$6,577,320

See accompanying notes to financial statements.

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Years Ended June 30, 2007 and 2006

| | <u>GENERAL FUND</u> | <u>DEBT RETIREMENT FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS 2007</u> | <u>TOTAL GOVERNMENTAL FUNDS 2006</u> |
|----------------------------------|---------------------|-----------------------------|--------------------------------------|--------------------------------------|
| REVENUES: | | | | |
| Property taxes | \$1,987,862 | \$549,073 | \$2,536,935 | \$2,359,025 |
| State revenue sharing | 39,497 | - | 39,497 | 39,522 |
| State aid | 21,530 | - | 21,530 | 19,675 |
| Penal fines | 36,585 | - | 36,585 | 40,045 |
| Book fines | 31,944 | - | 31,944 | 29,722 |
| Interest | 73,674 | - | 73,674 | 39,441 |
| Service fees | 6,986 | - | 6,986 | 7,170 |
| Centralized purchasing credit | 9,745 | - | 9,745 | 13,121 |
| Miscellaneous | 3,895 | - | 3,895 | 10,331 |
| Gifts and memorials | 1,725 | - | 1,725 | 2,860 |
| Grants | 1,150 | - | 1,150 | - |
| Total Revenues | \$2,214,593 | \$549,073 | \$2,763,666 | \$2,560,912 |
| EXPENDITURES: | | | | |
| Salaries | \$ 938,173 | \$ - | \$ 938,173 | \$ 848,052 |
| Payroll taxes | 71,165 | - | 71,165 | 64,876 |
| Health insurance | 115,306 | - | 115,306 | 97,120 |
| Life insurance | 1,143 | - | 1,143 | 886 |
| Retirement | 111,816 | - | 111,816 | 98,129 |
| Subscriptions | 14,715 | - | 14,715 | 12,896 |
| Bindery | 189 | - | 189 | 105 |
| Supplies | 47,451 | - | 47,451 | 45,089 |
| Repairs and maintenance | 92,405 | - | 92,405 | 86,915 |
| Elevator service | 3,401 | - | 3,401 | 3,563 |
| Custodial service | 30,355 | - | 30,355 | 18,276 |
| Utilities | 78,989 | - | 78,989 | 87,761 |
| Administration | 6,371 | - | 6,371 | 13,257 |
| Mileage | 2,035 | - | 2,035 | 2,614 |
| Professional services | 27,358 | - | 27,358 | 11,677 |
| Bookkeeping | 2,880 | - | 2,880 | 2,880 |
| Cooperative services | 5,404 | - | 5,404 | 9,837 |
| Reference services | 23,378 | - | 23,378 | 25,920 |
| Telephone | 8,065 | - | 8,065 | 7,026 |
| Miscellaneous | 2,110 | - | 2,110 | 3,009 |
| Public relations and advertising | 10,717 | - | 10,717 | 6,869 |

(Continued)

BUSS & COMPANY, P.C.
Certified Public Accountants
CLINTON TOWNSHIP, MICHIGAN

Exhibit 5
Page 2 of 2

ROMEO DISTRICT LIBRARY
Romeo, Michigan
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED

GOVERNMENTAL FUNDS

For The Years Ended June 30, 2007 and 2006

| | <u>GENERAL FUND</u> | <u>DEBT RETIREMENT FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS 2007</u> |
|---|---------------------------|---------------------------------|--|
| EXPENDITURES: (Continued) | | | |
| Special programs | \$ 10,390 | \$ - | \$ 10,390 |
| Insurance | 18,751 | - | 18,751 |
| Computer services | 55,367 | - | 55,367 |
| Tax refunds | 1,646 | 83 | 1,729 |
| Capital outlay: | | | |
| Books | 129,390 | - | 129,390 |
| Audio-visual | 37,884 | - | 37,884 |
| Equipment | 21,721 | - | 21,721 |
| Building and furnishings | 3,483 | - | 3,483 |
| Debt service: | | | |
| Principal | - | 435,000 | 435,000 |
| Interest | - | 36,285 | 36,285 |
| Miscellaneous | - | 300 | 300 |
| | | | |
| Total Expenditures | \$1,872,058 | \$471,668 | \$2,343,726 |
| EXCESS OF REVENUES OVER EXPENDITURES | \$ 342,535 | \$ 77,405 | \$ 419,940 |
| FUND BALANCE - JULY 1 | <u>1,630,817</u> | <u>79,343</u> | <u>1,710,160</u> |
| FUND BALANCE - JUNE 30 | <u><u>\$1,973,352</u></u> | <u><u>\$156,748</u></u> | <u><u>\$2,130,100</u></u> |
| | | | |
| | | | |

See accompanying notes to financial statements.

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS

Exhibit 6

ROME DISTRICT LIBRARY
Romeo, Michigan
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2007

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense

| | | |
|----------------------|----------------|--|
| Depreciation expense | (\$268,799) | |
| Capital outlay | <u>170,757</u> | |
| | (98,042) | |

Revenue reported in the statement of activities that does not provide financial resources and are deferred in the governmental funds

| | | |
|------------------------------|-------------|-----------|
| Deferred revenue - Beginning | (\$ 71,592) | |
| Deferred revenue - Ending | <u>—</u> | (71,592) |
| | 435,000 | |

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities

Decreases in compensated absences are reported as expenditures when the financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6

Accrued interest on bonds is an expenditure in the statement of activities; it is not reported in the governmental funds until paid

| | | |
|--------------------------------------|-----------------|------------------|
| Accrued interest payable - Beginning | \$ 9,072 | |
| Accrued interest payable - Ending | <u>(4,615)</u> | 4,457 |
| | \$703,796 | <u>\$703,796</u> |

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Romeo District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Romeo District Library operates under the authority of P.A. 24 of the Michigan P.A. of 1989 as amended. The Library's major support is from property taxes levied in the Village of Romeo, Township of Washington and Township of Bruce. The Library is governed by a six member appointed Board of Trustees. There are no component units as defined by generally accepted accounting principles that are required to be presented in the financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt and accrued interest; restricted for debt service; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

(Continued)

Fund Financial Statements (Continued)

The Library reports the following governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for funds used to repay principal and interest on outstanding debt.

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments

The Library is authorized by state statutes to invest surplus funds in U.S. bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investments. During the year ended June 30, 2007, the Library invested in certificates of deposits, commercial paper, and investment pools.

Receivables and Payables

Property taxes are levied on each December 1st on the taxable value of property as of the preceding December 31. Taxes are considered delinquent if not paid by February 28 of the following year.

The 2007 taxable valuation of the Library totals approximately \$1.7 billion, on which ad valorem taxes levied consisted of 1.1582 mills for Library operations, raising \$1,987,862 for Library operating purposes. An additional .32 mills is levied for debt retirement, raising \$549,073 for debt retirement. This amount is recognized in the financial statements as property tax revenue.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond two years, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|-----------------------------|------------------------------|
| Buildings | 50 years - 10% salvage value |
| Furniture and equipment | 5-10 years |
| Improvements | 10-20 years |
| Library books and materials | 5-7 years |
| Computer equipment | 3 years |

(Continued)

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Compensated Absences

Vacation leave accrues at various rates depending on job classification and length of service. For most employees vacation does not accumulate beyond the calendar year. At June 30, 2007 a liability has been recorded for vested unused vacation pay and the related payroll taxes.

Sick leave accrues at the rate of eight hours per month for full time employees. Part time employees earn accruals on a pro rata basis determined by the time they work. The Library's policy provides for unlimited accumulation; however, at termination of employment, payment will be made for only 30 days of accumulated sick leave. All sick pay is accrued as earned in the government-wide (accrual basis) financial statements. A liability for these amounts is reported in the governmental funds only for employees who have terminated as of year end.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the General Fund. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end. State law does not require that a budget be adopted for the Debt Retirement Fund.

(Continued)

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2007

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2007, the Library incurred expenditures in certain budgeted line items which were in excess of the amounts appropriated as follows:

| | <u>BUDGET APPROPRIATIONS</u> | <u>EXPENDITURES</u> | <u>BUDGET VARIANCE</u> |
|----------------|------------------------------|---------------------|------------------------|
| Life insurance | \$ 1,000 | \$ 1,143 | \$ 143 |
| Retirement | 110,430 | 111,816 | 1,386 |
| Supplies | 45,000 | 47,451 | 2,451 |
| Administration | 4,000 | 6,371 | 2,371 |

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

State statutes authorize the Library to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Library is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Library's deposits are in accordance with statutory authority.

The Library's cash and cash equivalents and investments are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Deposits (Checking accounts, savings accounts, certificates of deposit and money market accounts) \$1,175,333

Investments in securities, mutual funds and similar vehicles

1,022,710

\$2,198,043

At year end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents
Investments
\$ 678,638
1,519,405
\$2,198,043

(Continued)

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Year Ended June 30, 2007

A. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2007, the Library had the following investments:

| <u>INVESTMENTS</u> | <u>S & P RATING</u> | <u>MATURITIES</u> | <u>FAIR VALUE</u> |
|---|-------------------------|-------------------|---------------------------|
| Commercial Paper - General Electric Capital Corp. | A1 | 9/ 4/07 | \$ 435,927 |
| Commercial Paper - General Electric Capital Corp. | A1 | 9/20/07 | 200,283 |
| Commercial Paper - HSBC Finance Corp. Discount | A1 | 8/20/07 | 176,027 |
| Commercial Paper - LaSalle Bank Corp. Discount | A1 | 7/20/07 | <u>210,473</u> |
| | | | <u>\$1,022,710</u> |

Credit Risk - The Library's investments are limited by state statutes. The Library has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$824,695 of the Library's bank balance of \$1,172,425 was exposed to custodial risk as follows:

| <u>DEPOSITS</u> | <u>INSURED (FDIC)</u> | <u>UNINSURED AND UNCOLLATERALIZED</u> | <u>CARRYING AMOUNT</u> | <u>BANK BALANCE</u> |
|------------------------|---------------------------|---|----------------------------|---------------------------|
| Demand Deposits | \$256,730 | \$ - | \$ 678,638 | \$ 661,735 |
| Certificate of Deposit | 91,000 | - | 90,909 | 91,000 |
| Money market | - | <u>405,786</u> | <u>405,786</u> | <u>405,786</u> |
| | <u>\$347,730</u> | <u>\$405,786</u> | <u>\$1,175,333</u> | <u>\$1,158,521</u> |

(Continued)

ROME DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2007

B. CAPITAL ASSETS

Capital asset activity of the Library was as follows:

| | <u>BALANCE</u> <u>JULY 1, 2006</u> | <u>ADDITIONS</u> | <u>DISPOSALS AND ADJUSTMENTS</u> | <u>BALANCE</u> <u>JUNE 30, 2007</u> |
|---|---------------------------------------|--------------------------|--------------------------------------|--|
| Assets not being depreciated: Land and land improvements | \$ 236,733 | \$ - | \$ - | \$ 236,733 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$4,703,663 | \$ - | \$ - | \$4,703,663 |
| Furnishings | 487,773 | 3,483 | - | 491,256 |
| Office and computer equipment | 214,363 | - | 34,454 | 179,909 |
| Library collection | 1,031,597 | 167,274 | 124,611 | 1,074,260 |
| Subtotal | <u>\$6,437,396</u> | <u>\$170,757</u> | <u>\$159,065</u> | <u>\$6,449,088</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 480,406 | \$ 81,858 | \$ - | \$ 562,264 |
| Furnishings | 446,278 | 18,432 | - | 464,710 |
| Office and computer equipment | 154,398 | 26,047 | 34,454 | 145,991 |
| Library collection | 555,401 | 142,462 | 124,611 | 573,252 |
| Subtotal | <u>\$1,636,483</u> | <u>\$268,799</u> | <u>\$159,065</u> | <u>\$1,746,217</u> |
| Net capital assets being depreciated | <u>\$4,800,913</u> | <u>(\$98,042)</u> | <u>\$ -</u> | <u>\$4,702,871</u> |
| Net Capital Assets | <u><u>\$5,037,646</u></u> | <u><u>(\$98,042)</u></u> | <u><u>\$ -</u></u> | <u><u>\$4,939,604</u></u> |

C. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2007:

| | <u>BALANCE</u> <u>7/1/06</u> | <u>ADDITIONS</u> | <u>REDUCTIONS</u> | <u>BALANCE</u> <u>6/30/07</u> | <u>DUEDUE IN ONE YEAR</u> |
|----------------------|---------------------------------|--------------------|-------------------------|----------------------------------|-------------------------------|
| Bonds payable | \$885,000 | \$ - | \$435,000 | \$450,000 | \$450,000 |
| Compensated absences | 51,802 | - | 14,033 | 37,769 | - |
| | <u><u>\$936,802</u></u> | <u><u>\$ -</u></u> | <u><u>\$449,033</u></u> | <u><u>\$487,769</u></u> | <u><u>\$450,000</u></u> |

Bonds Payable

Bonds payable consists of the 1998 Library Building and Site Bonds totalling \$450,000, with the final annual installment of \$450,000 due April 1, 2008. The interest rate on the bonds is 4.10%. Interest is payable semi-annually on April 1 and October 1. Refer to Schedules No. 3 and 4 for additional information.

(Continued)

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2007

IV. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

PENSION PLAN

Plan Description

The Library participates in the Municipal Employees' Retirement System of Michigan "MERS" which is an agent multiple-employer, state-wide public employee pension plan. The defined benefit plan adopted by the Library provides retirement and disability benefits and death benefits to plan members and beneficiaries. Pursuant to Public Act 220 of 1996, MERS is an independent public corporation which is an instrumentality of the participating municipalities. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the statewide plan. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917.

Funding Policy

Covered employees are required to contribute 2% of their salary to MERS. The Library is required to contribute at an actuarially determined rate. The contribution requirement of plan members and the Library are actuarially determined and based upon the benefit program selected by the Library.

Annual Pension Cost

For the year ended June 30, 2007, the Library's annual pension cost was equal to the Library's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an investment yield of 8%, (b) projected salary increases of 4.5% per year compounded annually (c) additional projected salary increases of 0.0% to 8.40% per year depending on age attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year after retirement. Unfunded actuarial liabilities are amortized by level percent of payroll contributions over a period of 30 years.

Three year trend information.

| <u>FUNDING</u> | <u>ANNUAL PENSION COST (APC)</u> | <u>PERCENT OF APC CONTRIBUTED</u> | <u>NET PENSION OBLIGATION</u> |
|----------------|----------------------------------|-----------------------------------|-------------------------------|
| 6/30/05 | \$ 97,338 | 100% | \$ - |
| 6/30/06 | 98,129 | 100% | - |
| 6/30/07 | 111,816 | 100% | - |

(Continued)

V. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

VI. PRIOR PERIOD COMPARATIVE FINANCIAL INFORMATION

The governmental fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

VII. CONTINGENCY

The Michigan Supreme Court has instructed the Michigan Tax Tribunal to consider the petition for refund of a major taxpayer of Bruce Township relating to 1999, 2000 and 2001. The result of this petition may be significant to the financial statement of Romeo District Library. At the date of this report, the amount of the final liability was uncertain.

REQUIRED SUPPLEMENTAL INFORMATION

ROMEO DISTRICT LIBRARY
Romeo, Michigan
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended June 30, 2007

Schedule No. 1
Page 1 of 2

| | <u>VARIANCE WITH FINAL BUDGET</u> | | |
|-------------------------------|--|--------------------|---------------------------------|
| | <u>FAVORABLE</u> <u>(UNFAVORABLE)</u> | | |
| | <u>BUDGETED AMOUNTS</u> | <u>FINAL</u> | <u>ACTUAL</u> <u>AMOUNTS</u> |
| <u>REVENUES:</u> | | | |
| Property taxes | \$2,003,813 | \$2,003,813 | \$1,987,862 |
| State revenue sharing | 38,900 | 38,900 | (\$ 15,951) |
| State aid | 19,600 | 19,600 | 39,497 |
| Penal fines | 29,000 | 29,000 | 21,530 |
| Book fines | 30,000 | 30,000 | 36,585 |
| Interest | 15,000 | 15,000 | 1,944 |
| Service fees | 5,000 | 5,000 | 73,674 |
| Centralized purchasing credit | 9,000 | 9,000 | 6,986 |
| Miscellaneous | 5,000 | 5,000 | 1,986 |
| Gifts and memorials | 950 | 950 | 9,745 |
| Grants | - | - | (1,105) |
| | | | 3,895 |
| | | | 1,725 |
| | | | 775 |
| | | | 1,150 |
| Total Revenues | <u>\$2,156,263</u> | <u>\$2,156,263</u> | <u>\$2,214,593</u> |
| <u>EXPENDITURES:</u> | | | |
| Salaries | \$ 985,000 | \$ 988,000 | \$ 938,173 |
| Payroll taxes | 76,000 | 76,000 | 71,165 |
| Health insurance | 141,010 | 141,010 | 115,306 |
| Life insurance | 1,000 | 1,000 | 1,143 |
| Retirement | 110,430 | 110,430 | 111,816 |
| Subscriptions | 15,000 | 15,000 | 14,715 |
| Bindery | 500 | 500 | 189 |
| Supplies | 48,000 | 45,000 | 47,451 |
| Repairs and maintenance | 110,000 | 111,000 | 92,405 |
| Elevator service | 3,500 | 3,500 | 3,401 |
| Custodial service | 33,400 | 33,400 | 30,355 |
| Utilities | 99,750 | 102,750 | 78,989 |
| Administration | 4,000 | 4,000 | 6,371 |
| Mileage | 3,000 | 3,000 | 2,035 |
| Professional fees | 40,000 | 37,500 | 27,358 |
| Bookkeeping | 2,880 | 2,880 | 2,880 |
| Cooperative service | 9,800 | 10,800 | - |
| Reference services | 29,000 | 27,935 | 5,404 |
| Telephone | 9,123 | 9,123 | 23,378 |
| Miscellaneous | 6,000 | 5,000 | 8,065 |
| Public relations | 8,500 | 11,000 | 2,110 |
| Special programs | 10,500 | 10,500 | 2,890 |
| | | | 10,717 |
| | | | 283 |
| | | | 10,390 |
| | | | 110 |

(Continued)

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
BUDGETARY COMPARISON SCHEDULE, CONTINUED
GENERAL FUND
For The Year Ended June 30, 2007

Schedule No. 1
Page 2 of 2

| <u>EXPENDITURE\$:</u> (Continued) | <u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u> | | |
|---|---|---------------------------------|---------------------------|
| | <u>BUDGETED AMOUNTS</u> | <u>ACTUAL</u> <u>AMOUNTS</u> | |
| | <u>ORIGINAL</u> | <u>FINAL</u> | |
| Insurance | \$ 18,000 | \$ 19,065 | \$ 18,751 |
| Computer services | 68,000 | 68,000 | 55,367 |
| Tax refunds | 102,500 | 102,500 | 1,646 |
| Capital outlay: | | | |
| Books | 150,000 | 150,000 | 129,390 |
| Audio-visual | 39,000 | 39,000 | 37,984 |
| Equipment | 52,000 | 51,000 | 21,721 |
| Buildings and furnishings | 50,000 | 50,000 | 3,483 |
| Contingency | 20,000 | 20,000 | - |
| | <u><u>\$2,245,893</u></u> | <u><u>\$2,245,893</u></u> | <u><u>\$1,872,058</u></u> |
| Total Expenditures | | | <u><u>\$373,835</u></u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u><u>(\$ 89,630)</u></u> | <u><u>(\$ 89,630)</u></u> | <u><u>\$ 342,535</u></u> |
| | | | <u><u>\$432,165</u></u> |

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

Schedule No. 2

ROMEO DISTRICT LIBRARY
Romeo, Michigan
SCHEDULE OF INSURANCE IN FORCE
June 30, 2007

FROM TO

AMOUNT OF COVERAGE

TYPE OF COVERAGE

INSURANCE COMPANY

American Economy Insurance Company

| * | Fire, lightning & E.C. Building 107 Church Street, Romeo, Michigan 65821 Van Dyke, Washington, Michigan | \$ 880,900 4,613,900 | |
|---|---|-------------------------|--|
| * | Personal property 107 Church Street, Romeo, Michigan 65821 Van Dyke, Washington, Michigan | 334,680 1,228,140 | |

Commercial General Liability

Products - Completed Operations

Personal Injury/Advertising

Nonowned Auto & Hired Auto

Theft, disappearance and destruction

Employee Benefit Liability

Inland Marine

| | \$2,000,000 general aggregate | |
|--|-------------------------------|--|
| | \$2,000,000 aggregate limit | |
| | \$1,000,000 any one person | |
| | 1,000,000 | |
| | 2,000 | |
| | \$2,000,000 aggregate benefit | |
| | 50,780 | |
| | 50,780 | |

Commercial Umbrella Liability

Commercial General Liability

American States Insurance Company

| | \$2,000,000 per year | 10/31/06 |
|--|------------------------------|----------|
| | \$5,000 retention each claim | 10/31/06 |

| | State Law | 7/20/06 |
|--|-----------|---------|

* \$10,000 deductible and 90% co-insurance clause on building and contents at both locations.

** Includes Mechanical Breakdown Coverage - \$1,000 deductible

See accompanying notes to financial statements.

Schedule No. 3

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
SCHEDULE OF BONDS PAYABLE
June 30, 2007

1998 LIBRARY BUILDING AND SITE BONDS
(Interest Due Semi-Annually, April 1 and October 1)

| <u>MATURITY DATE</u> | <u>INTEREST RATE</u> | <u>PRINCIPAL OUTSTANDING</u> |
|--------------------------|--------------------------|----------------------------------|
| <u>JUNE 30</u> | | <u>JUNE 30</u> |
| APRIL 1 | | |
| 2008 | 4.10% | \$450,000 |

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
C. INION TOWNSHIP, MICHIGAN

Schedule No. 4

ROMEO DISTRICT LIBRARY
Romeo, Michigan
SCHEDULE OF BOND INDEBTEDNESS
(PRINCIPAL AND INTEREST)
June 30, 2007

1998 LIBRARY BUILDING AND SITE BONDS

| <u>YEAR ENDED</u> | <u>INTEREST DUE OCTOBER 1</u> | <u>INTEREST DUE APRIL 1</u> | <u>TOTAL PRINCIPAL AND INTEREST</u> |
|-------------------|---------------------------------------|-------------------------------------|---|
| 2008 | <u>\$ 9,225</u> | <u>\$ 450,000</u> | <u><u>\$468,450</u></u> |
| | | | |

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Schedule No. 5

ROMEO DISTRICT LIBRARY
Romeo, Michigan
SCHEDULE OF PENSION FUNDING PROGRESS
June 30, 2007

| <u>ACTUARIAL VALUATION DATE DECEMBER 31</u> | <u>ACTUARIAL VALUE OF ASSETS</u> | <u>ACTUARIAL ACCURED LIABILITIES (AAL)</u> | <u>UNFUNDED ACTUARIAL ACCURED LIABILITY UAAL</u> | <u>UAAL AS A PERCENTAGE OF COVERED PAYROLL</u> | <u>COVERED PAYROLL</u> | <u>(c)</u> | <u>((b-a)/c)</u> |
|---|--|--|--|--|----------------------------|------------|------------------|
| | | | | | | | |
| (a) | (b) | (b) - a | (a/b) | (a/b) | (c) | (c) | ((b-a)/c) |
| 1997 | \$ 289,088 | \$ 720,218 | \$431,130 | 40% | \$370,204 | 116% | |
| 1998 | 358,082 | 867,862 | 509,780 | 41% | 418,729 | 122% | |
| 1999 | 446,739 | 960,092 | 513,353 | 47% | 452,132 | 114% | |
| 2000 | 546,640 | 1,093,412 | 546,772 | 50% | 543,126 | 101% | |
| 2001 | 677,360 | 1,203,741 | 526,381 | 56% | 698,529 | 75% | |
| 2002 | 820,946 | 1,373,488 | 552,542 | 60% | 716,490 | 77% | |
| 2003 | 990,849 | 1,556,669 | 565,820 | 64% | 631,155 | 90% | |
| 2004 | 1,140,253 | 1,649,340 | 509,087 | 69% | 626,521 | 81% | |
| 2005 | 1,242,879 | 1,925,504 | 682,625 | 65% | 514,169 | 133% | |
| 2006 | 1,344,188 | 2,045,728 | 701,540 | 66% | 502,346 | 140% | |

See accompanying notes to financial statements.